

"Tradable Futures, Options, Futures on Options, Options on Futures relating to an Index on
the Prices of airline passenger miles"

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INVENTION ABSTRACT

The prices of airline tickets between fixed points are in general set by a number of cost parameters, including both fixed costs and operating costs, as well as market conditions, which together are difficult to predict. Among operating costs, there are fuel expenditure on various routes, labour costs, and other administrative expenses, including access charges for gates and airports. Fixed costs include aircraft and their financing. Combined with these highly uncertain cost parameters, reflecting the complexity of the business itself, the prices which airlines ultimately set are effected by market conditions including the changing popularity of various routes, seasonal demand and advertising, and competition between various airlines providing services on these and related routes. The unpredictable and complex nature of airline cost structure combined with the vagaries of the market, together suggest, airlines may wish to protect themselves against price uncertainty, and in particular of ticket prices declining. Faced with similar uncertainty, corporations or others who purchase large number of tickets may wish to protect themselves against the price uncertainty, in particular of tickets prices rising. In light of the above, the invention for which this patent application is made concerns a method of pricing and transferring the risks arising from changes in the prices of airline tickets in particular and airline travel in general, which would involve one or more Indices on the prices of airline travel, along with futures, options and other financial products designed to price and transfer risk of changes in the said index or indices. In using the invention, it is envisioned that airlines, corporate buyers of airline tickets, other parties, and those wishing to speculate upon the direction of the prices of airline travel, would take futures and options positions on the said Index or Indices, and by therefore so doing, would eliminate, reduce, or otherwise modify the effects of undesirable and unexpected changes in the prices of airline travel.